Contract Extension

Unintended Consequences to Billing Methodologies

5/15/2013

Item	***Description of Issue***	***Associated Contract Articles***	***Details***
1	Some Contract Provisions will no longer work properly if the Contract is extended	Articles 1(t), 22, 23, 24, 25, 26, and 50	Existing Contract provisions that deal with Project Interest Rate, Project Repayment Period, ect. will no longer function properly past 2035 and need to be addressed.
2	Contractor's accounts currently have an outstanding balance. If the existing repayment methodology is changed, this outstanding balance must be addressed.	Articles 23, 24,and 50	To help make the Project more affordable, Agricurltural contractors are repaying capital expenditures over a 75 year repayment period, even though 30 year bonds, or shorter, were sold; similarly, M&I contractors are repaying over 50 years. This has generated an outstanding balance that must be addressed in Contract Extension. Each of the 29 contractors are at a different stage of repayment, from 52% to about 75% of what would be "current".
3	Capital charges to contractors are currently based on DWR costs not bond debt service schedules	Articles 22, 23, 24,and 50	If "Paygo" is implemented, contractors should repay according to bond debt service schedules rather than repaying DWR costs for Capital Charges
4	There could be further Impacts to SWRDS cash flow by implementing Contract Extension	Articles 22, 23, 24,and 50	1. DWR may not be able to continue the practice of paying the Project Interest Rate on Over Collections past 2035 2. Deletion or modification of the Water System Revenue Bond Surcharge on a go forward basis could impact SWRDS cash flow 3. DWR's ability to fund necessary SWRDS projects could be reduced by Contract Extension